

107TH CONGRESS
2D SESSION

H. R. 5550

To amend the Internal Revenue Code of 1986 to reform its penalty and interest provisions.

IN THE HOUSE OF REPRESENTATIVES

OCTOBER 3, 2002

Mr. HOUGHTON introduced the following bill; which was referred to the Committee on Ways and Means

A BILL

To amend the Internal Revenue Code of 1986 to reform its penalty and interest provisions.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE; ETC.**

4 (a) SHORT TITLE.—This Act may be cited as the
5 “Penalty and Interest Reform Act of 2002”.

6 (b) AMENDMENT OF 1986 CODE.—Except as other-
7 wise expressly provided, whenever in this Act an amend-
8 ment or repeal is expressed in terms of an amendment
9 to, or repeal of, a section or other provision, the reference

1 shall be considered to be made to a section or other provi-
 2 sion of the Internal Revenue Code of 1986.

3 (c) TABLE OF CONTENTS.—

Sec. 1. Short title; etc.

Sec. 2. Failure to pay estimated tax penalty converted to interest charge on ac-
 cumulated unpaid balance.

Sec. 3. Exclusion from gross income for interest on overpayments of income tax
 by individuals.

Sec. 4. Abatement of interest.

Sec. 5. Deposits made to suspend running of interest on potential underpay-
 ments.

Sec. 6. Expansion of interest netting for individuals.

Sec. 7. Waiver of certain penalties for first-time unintentional minor errors.

Sec. 8. Frivolous tax submissions.

Sec. 9. Clarification of application of Federal tax deposit penalty.

4 **SEC. 2. FAILURE TO PAY ESTIMATED TAX PENALTY CON-**
 5 **VERTED TO INTEREST CHARGE ON ACCUMU-**
 6 **LATED UNPAID BALANCE.**

7 (a) PENALTY MOVED TO INTEREST CHAPTER OF
 8 CODE.—The Internal Revenue Code of 1986 is amended
 9 by redesignating section 6654 as section 6641 and by
 10 moving section 6641 (as so redesignated) from part I of
 11 subchapter A of chapter 68 to the end of subchapter E
 12 of chapter 67 (as added by subsection (e)(1) of this sec-
 13 tion).

14 (b) PENALTY CONVERTED TO INTEREST CHARGE.—
 15 The heading and subsections (a) and (b) of section 6641
 16 (as so redesignated) are amended to read as follows:

17 **“SEC. 6641. INTEREST ON FAILURE BY INDIVIDUAL TO PAY**
 18 **ESTIMATED INCOME TAX.**

19 “(a) IN GENERAL.—Interest shall be paid on any un-
 20 derpayment of estimated tax by an individual for a taxable

1 year for each day of such underpayment. The amount of
 2 such interest for any day shall be the product of the un-
 3 derpayment rate established under subsection (b)(2) mul-
 4 tiplied by the amount of the underpayment.

5 “(b) AMOUNT OF UNDERPAYMENT; INTEREST
 6 RATE.—For purposes of subsection (a)—

7 “(1) AMOUNT.—The amount of the under-
 8 payment on any day shall be the excess of—

9 “(A) the sum of the required installments
 10 for the taxable year the due dates for which are
 11 on or before such day, over

12 “(B) the sum of the amounts (if any) of
 13 estimated tax payments made on or before such
 14 day on such required installments.

15 “(2) DETERMINATION OF INTEREST RATE.—

16 “(A) IN GENERAL.—The underpayment
 17 rate with respect to any day in an installment
 18 underpayment period shall be the under-
 19 payment rate established under section 6621
 20 for the first day of the calendar quarter in
 21 which such installment underpayment period
 22 begins.

23 “(B) INSTALLMENT UNDERPAYMENT PE-
 24 RIOD.—For purposes of subparagraph (A), the
 25 term ‘installment underpayment period’ means

1 the period beginning on the day after the due
 2 date for a required installment and ending on
 3 the due date for the subsequent required in-
 4 stallment (or in the case of the 4th required in-
 5 stallment, the 15th day of the 4th month fol-
 6 lowing the close of a taxable year).

7 “(C) DAILY RATE.—The rate determined
 8 under subparagraph (A) shall be applied on a
 9 daily basis and shall be based on the assump-
 10 tion of 365 days in a calendar year.

11 “(3) TERMINATION OF ESTIMATED TAX INTER-
 12 EST.—No day after the end of the installment un-
 13 derpayment period for the 4th required installment
 14 specified in paragraph (2)(B) for a taxable year
 15 shall be treated as a day of underpayment with re-
 16 spect to such taxable year.”.

17 (c) INCREASE IN SAFE HARBOR WHERE TAX IS
 18 SMALL.—

19 (1) IN GENERAL.—Clause (i) of section
 20 6641(d)(1)(B) (as so redesignated) is amended to
 21 read as follows:

22 “(i) the lesser of—

23 “(I) 90 percent of the tax shown
 24 on the return for the taxable year (or,

1 if no return is filed, 90 percent of the
 2 tax for such year), or

3 “(II) the tax shown on the return
 4 for the taxable year (or, if no return
 5 is filed, the tax for such year) reduced
 6 (but not below zero) by \$2,000, or”.

7 (2) CONFORMING AMENDMENT.—Subsection (e)
 8 of section 6641 (as so redesignated) is amended by
 9 striking paragraph (1) and redesignating paragraphs
 10 (2) and (3) as paragraphs (1) and (2), respectively.

11 (d) CONFORMING AMENDMENTS.—

12 (1) Paragraphs (1) and (2) of subsection (e)
 13 (as redesignated by subsection (c)(2)) and sub-
 14 section (h) of section 6641 (as so designated) are
 15 each amended by striking “addition to tax” each
 16 place it occurs and inserting “interest”.

17 (2) Section 167(g)(5)(D) is amended by strik-
 18 ing “6654” and inserting “6641”.

19 (3) Section 460(b)(1) is amended by striking
 20 “6654” and inserting “6641”.

21 (4) Section 3510(b) is amended—

22 (A) by striking “section 6654” in para-
 23 graph (1) and inserting “section 6641”;

24 (B) by amending paragraph (2)(B) to read
 25 as follows:

1 “(B) no interest would be required to be
2 paid (but for this section) under 6641 for such
3 taxable year by reason of the \$2,000 amount
4 specified in section 6641(d)(1)(B)(i)(II).”;

5 (C) by striking “section 6654(d)(2)” in
6 paragraph (3) and inserting “section
7 6641(d)(2)”; and

8 (D) by striking paragraph (4).

9 (5) Section 6201(b)(1) is amended by striking
10 “6654” and inserting “6641”.

11 (6) Section 6601(h) is amended by striking
12 “6654” and inserting “6641”.

13 (7) Section 6621(b)(2)(B) is amended by strik-
14 ing “addition to tax under section 6654” and insert-
15 ing “interest required to be paid under section
16 6641”.

17 (8) Section 6622(b) is amended—

18 (A) by striking “PENALTY FOR” in the
19 heading; and

20 (B) by striking “addition to tax under sec-
21 tion 6654 or 6655” and inserting “interest re-
22 quired to be paid under section 6641 or addi-
23 tion to tax under section 6655”.

24 (9) Section 6658(a) is amended—

1 (A) by striking “6654, or 6655” and in-
 2 serting “or 6655, and no interest shall be re-
 3 quired to be paid under section 6641,”; and

4 (B) by inserting “or paying interest” after
 5 “the tax” in paragraph (2)(B)(ii).

6 (10) Section 6665(b) is amended—

7 (A) in the matter preceding paragraph (1)
 8 by striking “, 6654,”; and

9 (B) in paragraph (2) by striking “6654
 10 or”.

11 (11) Section 7203 is amended by striking “sec-
 12 tion 6654 or 6655” and inserting “section 6655 or
 13 interest required to be paid under section 6641”.

14 (e) CLERICAL AMENDMENTS.—

15 (1) Chapter 67 is amended by inserting after
 16 subchapter D the following:

17 **“Subchapter E—Interest on Failure by**
 18 **Individual to Pay Estimated Income Tax**

“Sec. 6641. Interest on failure by individual to pay estimated in-
 come tax.”.

19 (2) The table of subchapters for chapter 67 is
 20 amended by adding at the end the following new
 21 items:

“Subchapter D. Notice requirements.

“Subchapter E. Interest on failure by individual to pay estimated
 income tax.”.

1 (3) The table of sections for part I of sub-
 2 chapter A of chapter 68 is amended by striking the
 3 item relating to section 6654.

4 (f) EFFECTIVE DATE.—The amendments made by
 5 this section shall apply to installment payments for taxable
 6 years beginning after December 31, 2002.

7 **SEC. 3. EXCLUSION FROM GROSS INCOME FOR INTEREST**
 8 **ON OVERPAYMENTS OF INCOME TAX BY INDIV-**
 9 **IDUALS.**

10 (a) IN GENERAL.—Part III of subchapter B of chap-
 11 ter 1 (relating to items specifically excluded from gross
 12 income) is amended by inserting after section 139 the fol-
 13 lowing new section:

14 **“SEC. 139A. EXCLUSION FROM GROSS INCOME FOR INTER-**
 15 **EST ON OVERPAYMENTS OF INCOME TAX BY**
 16 **INDIVIDUALS.**

17 “(a) IN GENERAL.—In the case of an individual,
 18 gross income shall not include interest paid under section
 19 6611 on any overpayment of tax imposed by this subtitle.

20 “(b) EXCEPTION.—Subsection (a) shall not apply in
 21 the case of a failure to claim items resulting in the over-
 22 payment on the original return if the Secretary determines
 23 that the principal purpose of such failure is to take advan-
 24 tage of subsection (a).

1 “(c) SPECIAL RULE FOR DETERMINING MODIFIED
 2 ADJUSTED GROSS INCOME.—For purposes of this title,
 3 interest not included in gross income under subsection (a)
 4 shall not be treated as interest which is exempt from tax
 5 for purposes of sections 32(i)(2)(B) and 6012(d) or any
 6 computation in which interest exempt from tax under this
 7 title is added to adjusted gross income.”.

8 (b) CLERICAL AMENDMENT.—The table of sections
 9 for part III of subchapter B of chapter 1 is amended by
 10 inserting after the item relating to section 139 the fol-
 11 lowing new item:

“Sec. 139A. Exclusion from gross income for interest on over-
 payments of income tax by individuals.”.

12 (c) EFFECTIVE DATE.—The amendments made by
 13 this section shall apply to interest received in calendar
 14 years beginning after the date of the enactment of this
 15 Act.

16 **SEC. 4. ABATEMENT OF INTEREST.**

17 (a) ABATEMENT OF INTEREST WITH RESPECT TO
 18 ERRONEOUS REFUND CHECK WITHOUT REGARD TO SIZE
 19 OF REFUND.—Paragraph (2) of section 6404(e) is amend-
 20 ed by striking “unless—” and all that follows and insert-
 21 ing “unless the taxpayer (or a related party) has in any
 22 way caused such erroneous refund.”.

23 (b) ABATEMENT OF INTEREST TO EXTENT INTER-
 24 EST IS ATTRIBUTABLE TO TAXPAYER RELIANCE ON

1 WRITTEN STATEMENTS OF THE IRS.—Subsection (f) of
2 section 6404 is amended—

3 (1) in the subsection heading, by striking
4 “PENALTY OR ADDITION” and inserting “INTEREST,
5 PENALTY, OR ADDITION”; and

6 (2) in paragraph (1) and in subparagraph (B)
7 of paragraph (2), by striking “penalty or addition”
8 and inserting “interest, penalty, or addition”.

9 (c) EFFECTIVE DATE.—The amendments made by
10 this section shall apply with respect to interest accruing
11 on or after the date of the enactment of this Act.

12 **SEC. 5. DEPOSITS MADE TO SUSPEND RUNNING OF INTER-**
13 **EST ON POTENTIAL UNDERPAYMENTS.**

14 (a) IN GENERAL.—Subchapter A of chapter 67 (re-
15 lating to interest on underpayments) is amended by add-
16 ing at the end the following new section:

17 **“SEC. 6603. DEPOSITS MADE TO SUSPEND RUNNING OF IN-**
18 **TEREST ON POTENTIAL UNDERPAYMENTS,**
19 **ETC.**

20 “(a) AUTHORITY TO MAKE DEPOSITS OTHER THAN
21 AS PAYMENT OF TAX.—A taxpayer may make a cash de-
22 posit with the Secretary which may be used by the Sec-
23 retary to pay any tax imposed under subtitle A or B or
24 chapter 41, 42, 43, or 44 which has not been assessed

1 at the time of the deposit. Such a deposit shall be made
2 in such manner as the Secretary shall prescribe.

3 “(b) NO INTEREST IMPOSED.—To the extent that
4 such deposit is used by the Secretary to pay tax, for pur-
5 poses of section 6601 (relating to interest on underpay-
6 ments), the tax shall be treated as paid when the deposit
7 is made.

8 “(c) RETURN OF DEPOSIT.—Except in a case where
9 the Secretary determines that collection of tax is in jeop-
10 ardy, the Secretary shall return to the taxpayer any
11 amount of the deposit (to the extent not used for a pay-
12 ment of tax) which the taxpayer requests in writing.

13 “(d) PAYMENT OF INTEREST.—

14 “(1) IN GENERAL.—For purposes of section
15 6611 (relating to interest on overpayments), a de-
16 posit which is returned to a taxpayer shall be treated
17 as a payment of tax for any period to the extent
18 (and only to the extent) attributable to a disputable
19 tax for such period. Under regulations prescribed by
20 the Secretary, rules similar to the rules of section
21 6611(b)(2) shall apply.

22 “(2) DISPUTABLE TAX.—

23 “(A) IN GENERAL.—For purposes of this
24 section, the term ‘disputable tax’ means the
25 amount of tax specified at the time of the de-

posit as the taxpayer's reasonable estimate of the maximum amount of any tax attributable to disputable items.

“(B) SAFE HARBOR BASED ON 30-DAY LETTER.—In the case of a taxpayer who has been issued a 30-day letter, the maximum amount of tax under subparagraph (A) shall not be less than the amount of the proposed deficiency specified in such letter.

“(3) OTHER DEFINITIONS.—For purposes of paragraph (2)—

“(A) DISPUTABLE ITEM.—The term ‘disputable item’ means any item of income, gain, loss, deduction, or credit if the taxpayer—

“(i) has a reasonable basis for its treatment of such item, and

“(ii) reasonably believes that the Secretary also has a reasonable basis for disallowing the taxpayer's treatment of such item.

“(B) 30-DAY LETTER.—The term ‘30-day letter’ means the first letter of proposed deficiency which allows the taxpayer an opportunity for administrative review in the Internal Revenue Service Office of Appeals.

1 “(4) RATE OF INTEREST.—The rate of interest
2 allowable under this subsection shall be the Federal
3 short-term rate determined under section 6621(b),
4 compounded daily.

5 “(e) USE OF DEPOSITS.—

6 “(1) PAYMENT OF TAX.—Except as otherwise
7 provided by the taxpayer, deposits shall be treated
8 as used for the payment of tax in the order depos-
9 ited.

10 “(2) RETURNS OF DEPOSITS.—Deposits shall
11 be treated as returned to the taxpayer on a last-in,
12 first-out basis.”.

13 (b) CLERICAL AMENDMENT.—The table of sections
14 for subchapter A of chapter 67 is amended by adding at
15 the end the following new item:

“Sec. 6603. Deposits made to suspend running of interest on po-
tential underpayments, etc.”.

16 (c) EFFECTIVE DATE.—

17 (1) IN GENERAL.—The amendments made by
18 this section shall apply to deposits made after the
19 date of the enactment of this Act.

20 (2) COORDINATION WITH DEPOSITS MADE
21 UNDER REVENUE PROCEDURE 84–58.—In the case of
22 an amount held by the Secretary of the Treasury or
23 his delegate on the date of the enactment of this Act
24 as a deposit in the nature of a cash bond deposit

1 pursuant to Revenue Procedure 84–58, the date that
2 the taxpayer identifies such amount as a deposit
3 made pursuant to section 6603 of the Internal Rev-
4 enue Code (as added by this Act) shall be treated
5 as the date such amount is deposited for purposes
6 of such section 6603.

7 **SEC. 6. EXPANSION OF INTEREST NETTING FOR INDIVID-**
8 **UALS.**

9 (a) IN GENERAL.—Subsection (d) of section 6621
10 (relating to elimination of interest on overlapping periods
11 of tax overpayments and underpayments) is amended by
12 adding at the end the following: “Solely for purposes of
13 the preceding sentence, section 6611(e) shall not apply in
14 the case of an individual.”.

15 (b) EFFECTIVE DATE.—The amendment made by
16 subsection (a) shall apply to interest accrued after Decem-
17 ber 31, 2002.

18 **SEC. 7. WAIVER OF CERTAIN PENALTIES FOR FIRST-TIME**
19 **UNINTENTIONAL MINOR ERRORS.**

20 (a) IN GENERAL.—Section 6651 (relating to failure
21 to file tax return or to pay tax) is amended by adding
22 at the end the following new subsection:

23 “(i) TREATMENT OF FIRST-TIME UNINTENTIONAL
24 MINOR ERRORS.—

1 “(1) IN GENERAL.—In the case of a return of
2 tax imposed by subtitle A filed by an individual, the
3 Secretary may waive an addition to tax under sub-
4 section (a) if—

5 “(A) the individual has a history of compli-
6 ance with the requirements of this title,

7 “(B) it is shown that the failure is due to
8 an unintentional minor error,

9 “(C) the penalty would be grossly dis-
10 proportionate to the action or expense that
11 would have been needed to avoid the error, and
12 imposing the penalty would be against equity
13 and good conscience,

14 “(D) waiving the penalty would promote
15 compliance with the requirements of this title
16 and effective tax administration, and

17 “(E) the taxpayer took all reasonable steps
18 to remedy the error promptly after discovering
19 it.

20 “(2) EXCEPTIONS.—Paragraph (1) shall not
21 apply if—

22 “(A) the Secretary has waived any addition
23 to tax under this subsection with respect to any
24 prior failure by such individual,

1 “(B) the failure is a mathematical or cler-
 2 ical error (as defined in section 6213(g)(2)), or
 3 “(C) the failure is the lack of a required
 4 signature.”.

5 (b) EFFECTIVE DATE.—The amendment made by
 6 this section shall take effect on January 1, 2003.

7 **SEC. 8. FRIVOLOUS TAX SUBMISSIONS.**

8 (a) CIVIL PENALTIES.—Section 6702 is amended to
 9 read as follows:

10 **“SEC. 6702. FRIVOLOUS TAX SUBMISSIONS.**

11 “(a) CIVIL PENALTY FOR FRIVOLOUS TAX RE-
 12 TURNS.—A person shall pay a penalty of \$5,000 if—

13 “(1) such person files what purports to be a re-
 14 turn of a tax imposed by this title but which—

15 “(A) does not contain information on
 16 which the substantial correctness of the self-as-
 17 sessment may be judged, or

18 “(B) contains information that on its face
 19 indicates that the self-assessment is substan-
 20 tially incorrect; and

21 “(2) the conduct referred to in paragraph (1)—

22 “(A) is based on a position which the Sec-
 23 retary has identified as frivolous under sub-
 24 section (c), or

1 “(B) reflects a desire to delay or impede
2 the administration of Federal tax laws.

3 “(b) CIVIL PENALTY FOR SPECIFIED FRIVOLOUS
4 SUBMISSIONS.—

5 “(1) IMPOSITION OF PENALTY.—Except as pro-
6 vided in paragraph (3), any person who submits a
7 specified frivolous submission shall pay a penalty of
8 \$5,000.

9 “(2) SPECIFIED FRIVOLOUS SUBMISSION.—For
10 purposes of this section—

11 “(A) SPECIFIED FRIVOLOUS SUBMIS-
12 SION.—The term ‘specified frivolous submis-
13 sion’ means a specified submission if any por-
14 tion of such submission—

15 “(i) is based on a position which the
16 Secretary has identified as frivolous under
17 subsection (c), or

18 “(ii) reflects a desire to delay or im-
19 pede the administration of Federal tax
20 laws.

21 “(B) SPECIFIED SUBMISSION.—The term
22 ‘specified submission’ means—

23 “(i) a request for a hearing under—

1 “(I) section 6320 (relating to no-
 2 tice and opportunity for hearing upon
 3 filing of notice of lien), or

4 “(II) section 6330 (relating to
 5 notice and opportunity for hearing be-
 6 fore levy), and

7 “(ii) an application under—

8 “(I) section 7811 (relating to
 9 taxpayer assistance orders),

10 “(II) section 6159 (relating to
 11 agreements for payment of tax liabil-
 12 ity in installments), or

13 “(III) section 7122 (relating to
 14 compromises).

15 “(3) OPPORTUNITY TO WITHDRAW SUBMIS-
 16 SION.—If the Secretary provides a person with no-
 17 tice that a submission is a specified frivolous sub-
 18 mission and such person withdraws such submission
 19 promptly after such notice, the penalty imposed
 20 under paragraph (1) shall not apply with respect to
 21 such submission.

22 “(c) LISTING OF FRIVOLOUS POSITIONS.—The Sec-
 23 retary shall prescribe (and periodically revise) a list of po-
 24 sitions which the Secretary has identified as being frivo-
 25 lous for purposes of this subsection. The Secretary shall

1 not include in such list any position that the Secretary
2 determines meets the requirement of section
3 6662(d)(2)(B)(ii)(II).

4 “(d) REDUCTION OF PENALTY.—The Secretary may
5 reduce the amount of any penalty imposed under this sec-
6 tion if the Secretary determines that such reduction would
7 promote compliance with and administration of the Fed-
8 eral tax laws.

9 “(e) PENALTIES IN ADDITION TO OTHER PEN-
10 ALTIES.—The penalties imposed by this section shall be
11 in addition to any other penalty provided by law.”.

12 (b) TREATMENT OF FRIVOLOUS REQUESTS FOR
13 HEARINGS BEFORE LEVY.—

14 (1) FRIVOLOUS REQUESTS DISREGARDED.—
15 Section 6330 (relating to notice and opportunity for
16 hearing before levy) is amended by adding at the
17 end the following new subsection:

18 “(g) FRIVOLOUS REQUESTS FOR HEARING, ETC.—
19 Notwithstanding any other provision of this section, if the
20 Secretary determines that any portion of a request for a
21 hearing under this section or section 6320 meets the re-
22 quirement of clause (i) or (ii) of section 6702(b)(2)(A),
23 then the Secretary may treat such portion as if it were
24 never submitted and such portion shall not be subject to
25 any further administrative or judicial review.”.

1 (2) PRECLUSION FROM RAISING FRIVOLOUS
2 ISSUES AT HEARING.—Section 6330(c)(4) is
3 amended—

4 (A) by striking “(A)” and inserting
5 “(A)(i)”;

6 (B) by striking “(B)” and inserting “(ii)”;

7 (C) by striking the period at the end of the
8 first sentence and inserting “; or”; and

9 (D) by inserting after subparagraph (A)(ii)
10 (as so redesignated) the following:

11 “(B) the issue meets the requirement of
12 clause (i) or (ii) of section 6702(b)(2)(A).”.

13 (3) STATEMENT OF GROUNDS.—Section
14 6330(b)(1) is amended by striking “under sub-
15 section (a)(3)(B)” and inserting “in writing under
16 subsection (a)(3)(B) and states the grounds for the
17 requested hearing”.

18 (c) TREATMENT OF FRIVOLOUS REQUESTS FOR
19 HEARINGS UPON FILING OF NOTICE OF LIEN.—Section
20 6320 is amended—

21 (1) in subsection (b)(1), by striking “under sub-
22 section (a)(3)(B)” and inserting “in writing under
23 subsection (a)(3)(B) and states the grounds for the
24 requested hearing”, and

1 (2) in subsection (c), by striking “and (e)” and
2 inserting “(e), and (g)”.

3 (d) TREATMENT OF FRIVOLOUS APPLICATIONS FOR
4 OFFERS-IN-COMPROMISE AND INSTALLMENT AGREE-
5 MENTS.—Section 7122 is amended by adding at the end
6 the following new subsection:

7 “(e) FRIVOLOUS SUBMISSIONS, ETC.—Notwith-
8 standing any other provision of this section, if the Sec-
9 retary determines that any portion of an application for
10 an offer-in-compromise or installment agreement sub-
11 mitted under this section or section 6159 meets the re-
12 quirement of clause (i) or (ii) of section 6702(b)(2)(A),
13 then the Secretary may treat such portion as if it were
14 never submitted and such portion shall not be subject to
15 any further administrative or judicial review.”.

16 (e) CLERICAL AMENDMENT.—The table of sections
17 for part I of subchapter B of chapter 68 is amended by
18 striking the item relating to section 6702 and inserting
19 the following new item:

“Sec. 6702. Frivolous tax submissions.”.

20 (f) EFFECTIVE DATE.—The amendments made by
21 this section shall apply to submissions made and issues
22 raised after the date on which the Secretary first pre-
23 scribes a list under section 6702(c) of the Internal Rev-
24 enue Code of 1986, as amended by subsection (a).

1 **SEC. 9. CLARIFICATION OF APPLICATION OF FEDERAL TAX**
2 **DEPOSIT PENALTY.**

3 Nothing in section 6656 of the Internal Revenue
4 Code of 1986 shall be construed to permit the percentage
5 specified in subsection (b)(1)(A)(iii) thereof to apply other
6 than in a case where the failure is for more than 15 days.

○